PHILIP MORRIS U.S.A. INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, N.Y. 10017

TO: Leo McCullagh DATE: January 17, 1992

FROM: Edna Moore

SUBJECT: HISPANIC PROMOTIONS

I have reviewed the materials from Jim Raporte on Hispanic marketing opportunities, particularly in the State of Texas.

Festival Proposals

Seven of the eight events listed in the Bill Lee proposal will occur in San Antonio. The largest of the events, La Semana Alegre (April 17-25) is already on the Community Marketing Programs list of Marlboro sponsorships for the year. In addition, Marlboro will be the exclusive sponsor of four Cinco De Mayo Festivals (Houston, Dallas, Corpus Christi, and Harlinger). The sponsorship of the other six events in San Antonio are not warranted as we will probably reach the market segment through the La Semana Alegre festival.

Stage sponsorship is being negotiated for each of these events as well as on-site store-sale opportunities. Traditional Mexican music will be featured on each stage.

Tejano Music

Two proposals were submitted to the Marlboro group by Section 36. One proposal dealt primarily with the Tejano Music Hall of Fame and Scholarship Program activities, and the other addressed a national Tejano Music Tour. The latter was not a "proposal", rather a "concept".

Community Marketing has been aware of the Tejano Music Hall of Fame for several years, but has not participated due to Budweiser and RJR involvement. Budweiser has the broadcast rights to the Tejano Music Awards show and RJR toured the winners of a Tejano Music Awards Latin Band Competition throughout the State of Texas. To date, Bud is still involved, however, RJR has cancelled its tour due to budget.

The Tejano Music Tour concept is similar to the Latin Music proposal prepared by Gigi Vera on July 24, 1991. Gigi proposed this National Latin Music tour to the key Marlboro Hispanic markets for 1992. "Traditional Mexican" music was one of the genres of music recommended, along with Salsa, Latin Rock, Latin

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Jazz, Brazilian Samba, Pop Ballad and music from Spain. The proposal was presented along with the Community Marketing Programs marketing plan for 1992, but was not funded.

Analysis

The 1990 census report indicates that the Hispanic population has grown to 25M people in the United States. It is the fastest growing group in the country, and has a buying power of about $170 billion. The largest concentration of Hispanics are found in five states: California - 36.2%, Texas - 20.4%, New York - 10.0%, Florida - 6.1% and Illinois - 4.1%. The largest group of Hispanics are from Mexico (61.7%).* The Marlboro smoker share is currently at 35%, and the market share is 6% nationwide.

The Hispanic market is a very important part of the overall success of the Marlboro brand. Philip Morris has acknowledged this through the Community Marketing Programs festival sponsorship efforts, as well as the cancelled Marlboro Soccer Cup program. A more in-depth program should be reinstituted to address this market segment.

Recommendation

A. 1991

Marlboro is already the exclusive tobacco sponsor of the key Hispanic festivals around the country. Stages have been negotiated at most of the events where existing talent will be used. (Community Marketing Programs will be producing concerts at Paso Del Norte in El Paso and Calle Ocho in Miami.)

In Texas, Tejano music is already planned for all of the events Marlboro will be sponsoring. (Attached is a list of events in Texas.)

I propose that we extend the scope of our existing Marlboro Music program to include major Marlboro stage sponsorships under its umbrella.

Naturally, additional funds will be needed to enhance the talent and production to assure the effort meets the standard of quality set for our Marlboro Music program.

In addition, in order to maximize our reach, Philip Morris should also implement a Hispanic retail program in these markets. (A promotion is already planned for Calle Ocho).

*PMUSA Tracking Study, May 1991

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Community Marketing Programs has also identified several other events in Texas for marketing opportunities. One in particular, Margi Gras! Galveston 1992, was presented by Dancie Perugini Ware, the Virginia Slims Tennis promoters in Texas. This regional event occurs February 21-March 3 and draws over 700,000. For only $20.000, we will be able to sponsor the Tex-Mex stage for two weekends, signage will be visible for the duration of the festival.

B. 1993

The Latin music proposal submitted by Gigi Vera on July 24 (see attached should be considered in lieu of the "Tejano Music Concept" prepared by the Entertainment Consultants group and presented to Field Sales in October 1991.

In addition, as the World Cup will be held in the United States in 1994, Philip Morris U.S.A. should review the pros and cons of returning to the Marlboro Soccer Cup concept possibly by working with the World Soccer Federation or local amateur soccer organizations. Marlboro established equity through its Soccer Cup program, and Philip Morris should reclaim this equity in 1993, leading up to the World Cup in 1994.

I propose that these two concepts be merged into a three to four-day Marlboro Hispanic Festival program in 1993, involving sports and entertainment events, bar nights activities in key brands markets. The festival should be supported by an in-depth retail program, and a Hispanic advertising agency should be contracted to work along with our agency of record on this program. This is to assure that the program "speaks to the culture" of the Hispanic market.

Due to the many problems we had with the Marlboro Soccer Cup promoters, I recommend we not use the services of any of the principals from Mundial. Rather, we should identify an agency that can handle all aspects of the festival.

In addition, to further insure that the program is a success, a Hispanic public relations agency should also be utilized.

I would like to discuss these ideas with you in greater detail before reporting back to the Marlboro Group.

EM:mh

Attachment

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